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FOLLOWING TEL SENT ACTION SECSTATE INFO BELGRADE, BERLIN,
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SUBJ: HUNGARIAN-SOVIET 1975-1980 OIL AGREEMENT

REF: 75 BUDAPEST 4115, 75 BUDAPEST 4048

1. FEBRUARY 5 VILAGGAZDASAG CARRIES REPORT FROM MOSCOW
CORRESPONDENT ON SIGNING IN MOSCOW BY HUNGARIAN DEPUTY
PRIME MINISTER HUSZAR AND GOSPLAN CHAIRMAN BAYBAKOV OF
PROTOCOL FOR HUNGARIAN-SOVIET COOPERATION IN OIL INDUSTRY
DURING FORTHCOMING FIVE-YEAR PLAN. OTHER NEWSPAPERS CONTAIN
SHORT SUMMARY.

2. ACCORDING TO VILAGGAZDASAG HUNGARY WILL SUPPLY INDUSTRIAL
PRODUCTS TO BE USED IN EXPANDING SOVIET OIL OUTPUT. HUNGARIAN
SHIPMENTS WILL INCLUDE: AN INSTRUMENT FACTORY, DATA

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TRANSMISSION SYSTEMS, PUMPS, AUTOMATIC CONTROL COMPONENTS,

TRANSFER STATIONS, AND ELECTRICAL ENGINEERING PRODUCTS. SOVIET OIL DELIVERIES TO HUNGARY WILL INCREASE AT THE RATE OF 240,000 TONS EACH YEAR, I.E., 400,000 TONS IN THE SECOND YEAR AND RISING TO ONE MILLION TONS OVER THE PRESENT LEVEL BY 1980. ACCORDING TO HUNGARIAN REPORT BAYBAKOV SAID THAT BOTH SIDES LOOK FORWARD TO THE OTHER FULFILLING DELIVERY COMMITMENTS ON SCHEDULE.

3. COMMENT: HUNGARY'S DOMESTIC OIL PRODUCTION IS EXPECTED TO REMAIN ABOUT CONSTANT AT TWO MILLION TONS PER YEAR. IMPORTS FROM THE SOVIET UNION WILL PROBABLY BE BETWEEN SIX TO SIX AND ONE-HALF MILLION TONS IN 1976, AND DATA IN VILAGGAZDASAG AGREES WITH OTHER EMBASSY SOURCES. INTERESTING ARTICLE IN PARTY DAILY NEPSZABADSAG JANUARY 14 DISCUSSED JOINT CEMA FINANCING FOR DEVELOPMENT OF SIBERIAN OIL FIELDS AND ORENBURG PIPELINE. THIS ARTICLE, ALONG WITH OTHER SOURCES, INDICATES HUNGARIAN DOMESTIC PRODUCTION PLUS SOVIET IMPORTS WILL CONTINUE TO MEET GROWTH IN DEMAND IN FORESEEABLE FUTURE. HOWEVER, HUNGARIANS WILL CONTINUE TO PURCHASE OIL FROM IRAQ, THEIR TRADITIONAL SUPPLIER, AND POSSIBLY ALGERIA. NEPSZABADSAG ARTICLE EXPLAINS THAT MAIN BENEFIT TO HUNGARY TO ADRIATIC PIPELINE WILL BE LOWER FREIGHT RATES FOR MIDDLE EAST OIL, AND POINTS OUT THAT ALTERNATE TRANSPORTATION METHODS THROUGH TRIESTE OR YUGOSLAVIA ARE NOT ADEQUATE. ACCORDING TO NEPSZABADSAG, IT IS OFTEN CHEAPER TO BUY FROM VIENNA PORTION OF TRANSALPINE PIPELINE. MCAULIFFE UNQUOTE KISSINGER

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